
RESPONSE OF KENYA PETROLEUM REFINERIES LIMITED TO CHANGES IN THE BUSINESS ENVIRONMENT

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ABSTRACT

Kenya Petroleum Refineries Limited (KPRL) is an oil refining company based in Mombasa which was originally set up by Shell and BP. It was incorporated in 1960 to supply petroleum products to Kenya and the East African region. The Government owns 50 % (since 1971) of the equity in KPRL with Shell and BP each holding 17.1% while Chevron holds 15.8% of the equity. Complex 1 was commissioned in 1964 and Complex 11 in 1974. The last major investment in KPRL was therefore in 1974 when complex 2 was commissioned.

KPRL was the main supplier of products into Kenya and the East African region until 1994 when the oil industry was partially deregulated. The liberalization of oil the industry allowed new entrants to enter the business of importation and marketing of petroleum products.

The study sought to establish the changes in KPRL's business environment, the level of turbulence and both the strategic and operational responses that have been put in place.

The study has established that:-

- i) there has been changes in policy, legal, regulatory and institutional framework brought about by the enactment of the Energy Act, Environmental Management and Control Act as well as the publication of new standards for petroleum products.
- ii) Although, the demand for petroleum products has grown from 2.383 million tons in 2002 to 3.069 million tons in 2006 driven by economic growth,

KPRL's production has remained steady at 1.6 million tons per year over the same period.

- iii) Some marketing companies have responded to the changes by developing new markets in the region, development of new products such as convenient stores and restaurant franchises as well attempting to differentiate their products eg the promotion and marketing low sulfur diesel.
- iv) KPRL's strategic response was to concentrate in its home market and with the same product. Operationally, KPRL responded by increasing the automation of its processing and storage facilities, purchase of new catalyst to obtain incremental increase in performance, improved performance in the management of human capital and investment of finances in low risk assets.
- v) KPRL possesses some distinctive capabilities which include location, land, plant and equipment, pipeline network for distribution of products and a strong culture in health and safety.
- vi) Some stakeholders believe that there is room for improvement in the fulfillment of customer requirements both in terms of quantity and quality aspects of products.
- vii) Equally some stakeholders believe KPRL needs to do more to increase the profile of its corporate image at the national level.